

KEOTA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

## Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Notes to Required Supplementary Information - Budgetary Reporting	34
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 37
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Schedule of Findings	41-44

Keota Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Tom Edwards	President	2008
Leslie Greiner	Vice President	2007
Jared Lyle	Board Member	2007
Robert Romoser	Board Member	2008
Ryan Clarahan	Board Member	2009

Board of Education  
(After September 2007 Election)

Tom Edwards	President	2008
Jared Lyle	Vice President	2010
Robert Romoser	Board Member	2008
Ryan Clarahan	Board Member	2009
Lindsay Greiner	Board Member	2010

School Officials

Todd Abrahamson	Superintendent	2008
Marlene Stoutner	District Secretary/Treasurer and Business Manager	2008
Gruhn Law Firm	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Keota Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Keota Community School District, Keota, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of Keota Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keota Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Nolte, Cornman & Johnson". The signature is written in a cursive, flowing style. The ampersand is clearly visible between the last names.

NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Keota Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,939,523 in fiscal 2007 to \$3,108,310 in fiscal 2008, while General Fund expenditures increased from \$3,192,962 in fiscal 2007 to \$3,276,220 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$237,909 in fiscal 2007 to \$69,999 in fiscal 2008, a 70.58% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2008. The increase in expenditures was due primarily to an increase in support service functional area.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keota Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keota Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keota Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

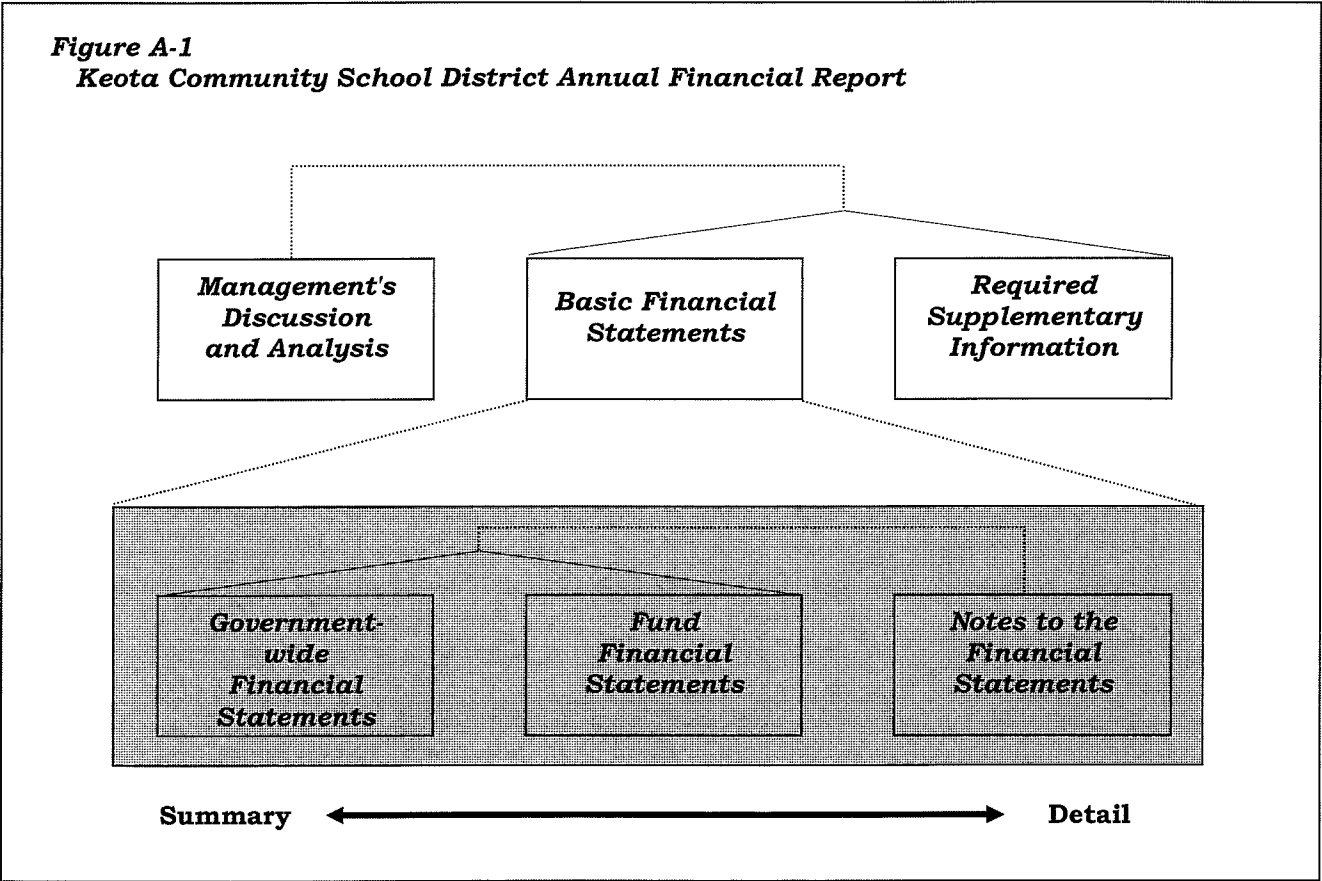


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the



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District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,199,780	3,487,004	1,038	610	3,200,818	3,487,614	-8.22%
Capital assets	3,245,841	3,388,669	14,380	13,371	3,260,221	3,402,040	-4.17%
Total assets	6,445,621	6,875,673	15,418	13,981	6,461,039	6,889,654	-6.22%
Long-term obligations	2,345,000	2,541,641	0	0	2,345,000	2,541,641	-7.74%
Other liabilities	2,572,321	2,721,900	495	3,226	2,572,816	2,725,126	-5.59%
Total liabilities	4,917,321	5,263,541	495	3,226	4,917,816	5,266,767	-6.63%
Net assets:							
Invested in capital assets, net of related debt	900,841	847,028	14,380	13,371	915,221	860,399	6.37%
Restricted	482,432	474,005	0	0	482,432	474,005	1.78%
Unrestricted	145,027	291,099	543	(2,616)	145,570	288,483	-49.54%
Total net assets	\$ 1,528,300	1,612,132	14,923	10,755	1,543,223	1,622,887	-4.91%

The District's combined net assets decreased by 4.91%, or \$79,664, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The invested in capital assets, net of related debt increased \$54,822, or 6.37% over the prior year.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$8,427, or 1.78% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$142,913, or 49.54%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 284,086	255,193	86,200	85,949	370,286	341,142	8.54%
Operating grants and contributions and restricted interest	490,104	422,802	44,290	41,179	534,394	463,981	15.18%
General revenues:							
Property tax	1,622,352	1,501,839	0	0	1,622,352	1,501,839	8.02%
Income surtax	135,090	136,621	0	0	135,090	136,621	-1.12%
Local option sales and service tax	202,128	214,885	0	0	202,128	214,885	-5.94%
Unrestricted state grants	905,581	970,427	0	0	905,581	970,427	-6.68%
Other	65,804	29,649	195	201	65,999	29,850	121.10%
Transfers	(19,168)	(1,000)	19,168	1,000	0	0	0.00%
Total revenues and transfers	3,685,977	3,530,416	149,853	128,329	3,835,830	3,658,745	4.84%
Program expenses:							
Governmental activities:							
Instructional	2,190,037	2,209,275	0	0	2,190,037	2,209,275	-0.87%
Support services	1,151,705	1,048,287	0	0	1,151,705	1,048,287	9.87%
Non-instructional programs	0	0	145,685	144,190	145,685	144,190	1.04%
Other expenses	428,067	432,428	0	0	428,067	432,428	-1.01%
Total expenses	3,769,809	3,689,990	145,685	144,190	3,915,494	3,834,180	2.12%
Change in net assets	(83,832)	(159,574)	4,168	(15,861)	(79,664)	(175,435)	-54.59%
Net assets beginning of year	1,612,132	1,771,706	10,755	26,616	1,622,887	1,798,322	-9.76%
Net assets end of year	\$ 1,528,300	1,612,132	14,923	10,755	1,543,223	1,622,887	-4.91%

In fiscal 2008, property tax, income surtax, local option sales and service tax and unrestricted state grants account for 77.73% of the revenue from governmental activities while charges for services and operating grants and contributions account for 87.08% of the revenue from business type activities.

The District's total revenues were approximately \$3.84 million of which approximately \$3.69 million was for governmental activities and approximately \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.84% in revenues and a 2.12% increase in expenses. The increase in expenses was related to the increase in support services expenditures during the year.

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## Governmental Activities

Revenues for governmental activities were \$3,685,977 and expenses were \$3,769,809.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,190,037	2,209,275	-0.87%	1,531,874	1,643,698	-6.80%
Support services	1,151,705	1,049,287	9.76%	1,151,705	1,049,287	9.76%
Other expenses	428,067	432,428	-1.01%	312,040	320,010	-2.49%
Totals	<u>\$ 3,769,809</u>	<u>3,690,990</u>	<u>2.14%</u>	<u>2,995,619</u>	<u>3,012,995</u>	<u>-0.58%</u>

- The cost financed by users of the District's programs was \$284,086.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$490,104.
- The net cost of governmental activities was financed with \$1,622,352 in property tax, \$135,090 in income surtax, \$202,128 in local option sales and services tax, \$905,581 in unrestricted state grants and \$65,804 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$149,853, representing a 16.77% increase over the prior year, while expenses totaled \$145,685, a 1.04% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Keota Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$522,497, compared to last year's ending fund balances of \$665,969. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the decrease in the District's General Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Although there was an increase in General Fund revenues as compared to fiscal 2007, the increase in revenue was more than offset by the increase in General Fund expenditures thus causing the overall decrease in the General Fund balance.
- The General Fund balance decreased from \$237,909 in fiscal 2007 to \$69,999 in fiscal 2008, due to expenditures exceeding revenues during the year.

- The Capital Projects Fund balance decreased from \$327,706 in fiscal 2007 to \$323,376 in fiscal 2008. A contributing factor to the decrease in the fund balance was that the District received \$202,128 in local option sales and service tax during fiscal 2008 as compared to \$214,885 during fiscal 2007.

### Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$10,755 at June 30, 2007 to \$14,923 at June 30, 2008, representing an increase of 38.75%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$4,486 less than budgeted revenues, a variance of 0.12%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were more than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services, non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$3,260,221, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.17% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$145,077.

The original cost of the District's capital assets was \$5,796,046. Governmental funds account for \$5,737,798 with the remainder of \$58,248 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$45,600 at June 30, 2008, compared to \$83,109 reported at June 30, 2007. This decrease resulted from the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 12,310	12,310	0	0	12,310	12,310	0.00%
Buildings	3,202,311	3,306,621	0	0	3,202,311	3,306,621	-3.15%
Machinery and equipment	31,220	69,738	14,380	13,371	45,600	83,109	-45.13%
Total	\$ 3,245,841	3,388,669	14,380	13,371	3,260,221	3,402,040	-4.17%

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## Long-Term Debt

At June 30, 2008, the District had \$2,345,000 in general obligation debt outstanding. This represents a decrease of 7.74% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,345,000	2,505,000	-6.39%
Bus loan	0	36,641	-100.00%
Totals	\$ 2,345,000	2,541,641	-7.74%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is still in a declining position with enrollment.
- Allowable growth set at 4% is still not keeping up with the increased cost of living. This coupled with enrollment decline continues to negatively impact the District's spending authority.
- The budget guarantee decline continues to plague our District.
- The uncertainty from year to year at the state level will affect future projections of the District's stability.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marlene Stoutner, District Board Secretary, Keota Community School District, P.O. Box 88, Keota, Iowa, 52248.

## BASIC FINANCIAL STATEMENTS

KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 782,434	0	782,434
Other	444,432	40	444,472
Receivables:			
Property tax:			
Delinquent	13,575	0	13,575
Succeeding year	1,697,199	0	1,697,199
Income surtax	117,699	0	117,699
Accounts	14,086	0	14,086
Accrued interest - ISCAP(Note 5)	5,955	0	5,955
Due from other governments	124,400	0	124,400
Inventories	0	998	998
Capital assets, net of accumulated depreciation(Note 6)	3,245,841	14,380	3,260,221
<b>Total Assets</b>	<b>6,445,621</b>	<b>15,418</b>	<b>6,461,039</b>
<b>Liabilities</b>			
Accounts payable	69,730	0	69,730
ISCAP warrants payable(Note 5)	778,000	0	778,000
ISCAP accrued interest payable(Note 5)	5,865	0	5,865
ISCAP unamortized premium	8,790	0	8,790
Accrued interest payable	12,737	0	12,737
Deferred revenue:			
Succeeding year property tax	1,697,199	0	1,697,199
Unearned revenue	0	495	495
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	190,000	0	190,000
Portion due after one year:			
General obligation bonds payable	2,155,000	0	2,155,000
<b>Total Liabilities</b>	<b>4,917,321</b>	<b>495</b>	<b>4,917,816</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	900,841	14,380	915,221
Restricted for:			
Debt service	5,417	0	5,417
Talented and gifted	11,811	0	11,811
Beginning teacher mentoring	835	0	835
Additional teacher contract day	906	0	906
Additional salary, professional development	6,931	0	6,931
Professional development	5,609	0	5,609
Market factor	2,827	0	2,827
Market factor incentives	858	0	858
Phase II	157	0	157
Capital projects	323,376	0	323,376
Management levy	41,623	0	41,623
Physical plant and equipment levy	50,439	0	50,439
Other special revenue purposes	31,643	0	31,643
Unrestricted	145,027	543	145,570
<b>Total Net Assets</b>	<b>\$ 1,528,300</b>	<b>14,923</b>	<b>1,543,223</b>

SEE NOTES TO FINANCIAL STATEMENTS.



KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,488,962	148,100	357,228	(983,634)	0	(983,634)
Special instruction	269,783	0	16,849	(252,934)	0	(252,934)
Other instruction	431,292	135,986	0	(295,306)	0	(295,306)
	<u>2,190,037</u>	<u>284,086</u>	<u>374,077</u>	<u>(1,531,874)</u>	<u>0</u>	<u>(1,531,874)</u>
Support services:						
Student services	37,775	0	0	(37,775)	0	(37,775)
Instructional staff services	151,994	0	0	(151,994)	0	(151,994)
Administration services	484,961	0	0	(484,961)	0	(484,961)
Operation and maintenance of plant services	288,302	0	0	(288,302)	0	(288,302)
Transportation services	188,673	0	0	(188,673)	0	(188,673)
	<u>1,151,705</u>	<u>0</u>	<u>0</u>	<u>(1,151,705)</u>	<u>0</u>	<u>(1,151,705)</u>
Other expenditures:						
Facilities and acquisitions	102,539	0	0	(102,539)	0	(102,539)
Long-term debt interest	105,191	0	0	(105,191)	0	(105,191)
AEA flowthrough	116,027	0	116,027	0	0	0
Depreciation(unallocated)*	104,310	0	0	(104,310)	0	(104,310)
	<u>428,067</u>	<u>0</u>	<u>116,027</u>	<u>(312,040)</u>	<u>0</u>	<u>(312,040)</u>
Total governmental activities	3,769,809	284,086	490,104	(2,995,619)	0	(2,995,619)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	145,685	86,200	44,290	0	(15,195)	(15,195)
Total business-type activities	<u>145,685</u>	<u>86,200</u>	<u>44,290</u>	<u>0</u>	<u>(15,195)</u>	<u>(15,195)</u>
Total	<u>\$ 3,915,494</u>	<u>370,286</u>	<u>534,394</u>	<u>(2,995,619)</u>	<u>(15,195)</u>	<u>(3,010,814)</u>
<b>General Revenues and Transfers:</b>						
General Revenues:						
Local tax for:						
General purposes				\$ 1,438,560	0	1,438,560
Debt Service				134,747	0	134,747
Capital outlay				49,045	0	49,045
Income surtax				135,090	0	135,090
Local option sales and services tax				202,128	0	202,128
Unrestricted state grants				905,581	0	905,581
Unrestricted investment earnings				65,804	70	65,874
Other general revenues				0	125	125
Transfers				(19,168)	19,168	0
Total general revenues and transfers				<u>2,911,787</u>	<u>19,363</u>	<u>2,931,150</u>
Changes in net assets				(83,832)	4,168	(79,664)
Net assets beginning of year				<u>1,612,132</u>	<u>10,755</u>	<u>1,622,887</u>
Net assets end of year				<u>\$ 1,528,300</u>	<u>14,923</u>	<u>1,543,223</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 782,434	0	0	0	782,434
Other	123,280	231,889	4,290	84,973	444,432
Receivables:					
Property tax:					
Delinquent	11,536	0	1,127	912	13,575
Succeeding year	1,467,288	0	130,794	99,117	1,697,199
Income surtax	117,699	0	0	0	117,699
Interfund	0	0	0	37,703	37,703
Accounts	13,779	0	0	307	14,086
Accrued interest - ISCAP(Note 5)	5,955	0	0	0	5,955
Due from other governments	32,913	91,487	0	0	124,400
<b>Total Assets</b>	<b>\$ 2,554,884</b>	<b>323,376</b>	<b>136,211</b>	<b>223,012</b>	<b>3,237,483</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 37,703	0	0	0	37,703
Accounts payable	69,540	0	0	190	69,730
ISCAP warrants payable(Note 5)	778,000	0	0	0	778,000
ISCAP accrued interest payable(Note 5)	5,865	0	0	0	5,865
ISCAP unamortized premium	8,790	0	0	0	8,790
Deferred revenue:					
Succeeding year property tax	1,467,288	0	130,794	99,117	1,697,199
Income surtax	117,699	0	0	0	117,699
Total liabilities	2,484,885	0	130,794	99,307	2,714,986
Fund balances:					
Reserved for:					
Debt service	0	0	5,417	0	5,417
Talented and gifted	11,811	0	0	0	11,811
Beginning teacher mentoring	835	0	0	0	835
Additional teacher contract day	906	0	0	0	906
Additional salary, professional development	6,931	0	0	0	6,931
Professional development	5,609	0	0	0	5,609
Market factor	2,827	0	0	0	2,827
Market factor incentives	858	0	0	0	858
Phase II	157	0	0	0	157
Unreserved	40,065	323,376	0	123,705	487,146
Total fund balances	69,999	323,376	5,417	123,705	522,497
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,554,884</b>	<b>323,376</b>	<b>136,211</b>	<b>223,012</b>	<b>3,237,483</b>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 522,497
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,245,841
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	117,699
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,737)
Long-term liabilities, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,345,000)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 1,528,300</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,513,698	202,128	134,747	108,997	1,959,570
Tuition	138,612	0	0	0	138,612
Other	79,366	3,542	2,035	145,281	230,224
State sources	1,265,963	0	58	47	1,266,068
Federal sources	110,671	0	0	0	110,671
Total revenues	3,108,310	205,670	136,840	254,325	3,705,145
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	1,488,962	0	0	0	1,488,962
Special instruction	269,783	0	0	0	269,783
Other instruction	309,464	0	0	121,828	431,292
	2,068,209	0	0	121,828	2,190,037
Support services:					
Student services	37,775	0	0	0	37,775
Instructional staff services	151,994	0	0	0	151,994
Administration services	442,694	0	0	18,787	461,481
Operation and maintenance of plant services	263,423	0	0	28,137	291,560
Transportation services	142,485	0	0	7,670	150,155
	1,038,371	0	0	54,594	1,092,965
Other expenditures:					
Facilities acquisitions	0	0	0	102,539	102,539
Long-term debt:					
Principal	0	0	221,641	0	221,641
Interest	0	0	111,018	0	111,018
AEA flowthrough	116,027	0	0	0	116,027
	116,027	0	332,659	102,539	551,225
Total expenditures	3,222,607	0	332,659	278,961	3,834,227
Excess(deficiency) of revenues over(under) expenditures	(114,297)	205,670	(195,819)	(24,636)	(129,082)
Other financing sources(uses):					
Transfers in	0	0	197,703	50,000	247,703
Transfers out	(53,613)	(210,000)	0	0	(263,613)
Refunding debt issued	0	0	2,345,000	0	2,345,000
Payment to escrow agent	0	0	(2,320,000)	0	(2,320,000)
Discount on issuance of bonds	0	0	(9,380)	0	(9,380)
Costs of issuance	0	0	(14,100)	0	(14,100)
Total other financing sources(uses)	(53,613)	(210,000)	199,223	50,000	(14,390)
Net change in fund balances	(167,910)	(4,330)	3,404	25,364	(143,472)
Fund balance beginning of year	237,909	327,706	2,013	98,341	665,969
Fund balance end of year	\$ 69,999	323,376	5,417	123,705	522,497

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (143,472)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense in the year is as follows:

Depreciation expense	(142,828)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	\$ (2,345,000)	
Repaid	2,541,641	196,641

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,827

Changes in net assets of governmental activities (page 14)	\$ (83,832)
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KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$        40
Inventories	998
Capital assets, net of accumulated depreciation (Note 6)	<u>14,380</u>
<b>Total Assets</b>	<u>15,418</u>
 <b>Liabilities</b>	
Unearned revenue	<u>495</u>
 <b>Net Assets</b>	
Invested in capital assets	14,380
Unrestricted	<u>543</u>
<b>Total Net Assets</b>	<u><u>\$    14,923</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 86,200
Other	125
TOTAL OPERATING REVENUES	<u>86,325</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	43,508
Benefits	21,120
Supplies	78,808
Depreciation	2,249
TOTAL OPERATING EXPENSES	<u>145,685</u>
OPERATING LOSS	<u>(59,360)</u>
NON-OPERATING REVENUES:	
State sources	2,054
Federal sources	42,236
Interest on investments	70
TOTAL NON-OPERATING REVENUES	<u>44,360</u>
Change in net assets before other financing sources	(15,000)
Other financing sources:	
Transfer in	15,910
Capital contributions	3,258
Total other financing sources	<u>19,168</u>
Change in net assets	4,168
Net assets beginning of year	<u>10,755</u>
Net assets end of year	<u><u>\$ 14,923</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,957
Cash received from miscellaneous	125
Cash payments to employees for services	(64,628)
Cash payments to suppliers for goods or services	<u>(70,616)</u>
Net cash used in operating activities	<u>(49,162)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	15,910
State grants received	2,054
Federal grants received	<u>33,620</u>
Net cash provided by non-capital financing activities	<u>51,584</u>
Cash flows from investing activities:	
Interest on investments	<u>70</u>
Net increase in cash and cash equivalents	2,492
Cash and cash equivalents at beginning of year	<u>(2,452)</u>
Cash and cash equivalents at end of year	<u>\$ 40</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (59,360)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,710
Depreciation	2,249
Increase in inventories	(482)
Decrease in accounts payable	(36)
Decrease in unearned revenue	<u>(243)</u>
Net cash used in operating activities	<u>\$ (49,162)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 40</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$8,710.

During the year ended June 30, 2008, the District received \$3,258 in capital contributions from the PPEL Fund.

SEE NOTES TO FINANCIAL STATEMENTS.



KEOTA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Keota Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Keota, Iowa, and the predominate agricultural territory in Keokuk and Washington Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Keota Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Keota Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk and Washington Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded

when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 976</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Physical Plant and Equipment Levy	General	<u>\$ 37,703</u>

The General Fund owes the Physical Plant and Equipment Levy for bus lease principal and interest that was inadvertently paid from the incorrect fund.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Physical Plant and Equipment Levy	Capital Projects	\$ 50,000
Debt Service	Capital Projects	160,000
Debt Service	General	37,703
Enterprise, School Nutrition	General	<u>15,910</u>
Total		<u>\$ 263,613</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects Fund transferred to the Physical Plant and Equipment Levy to pay for District projects.

The Capital Projects Fund transferred to the Debt Service Fund to pay part of the principal and interest owed for the District's general obligation bonds.

The General Fund transferred to the Debt Service Fund to pay the principal and interest on the bus lease.

The General Fund transferred to the Enterprise, School Nutrition Fund for cashflow.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal.

for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 387,239	5,805	386,000	5,750
2008-09A	6/26/2008	6/25/2009	395,195	150	392,000	115
Total			<u>\$ 782,434</u>	<u>5,955</u>	<u>778,000</u>	<u>5,865</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	130,000	130,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

#### (6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 54,990	3,258	0	58,248
Less accumulated depreciation	41,619	2,249	0	43,868
Business-type activities capital assets, net	<u>\$ 13,371</u>	<u>1,009</u>	<u>0</u>	<u>14,380</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 12,310	0	0	12,310
Total capital assets not being depreciated	12,310	0	0	12,310
Capital assets being depreciated:				
Buildings	5,204,323	0	0	5,204,323
Machinery and equipment	521,165	0	0	521,165
Total capital assets being depreciated	5,725,488	0	0	5,725,488
Less accumulated depreciation for:				
Buildings	1,897,702	104,310	0	2,002,012
Machinery and equipment	451,427	38,518	0	489,945
Total accumulated depreciation	2,349,129	142,828	0	2,491,957
Total capital assets being depreciated, net	3,376,359	(142,828)	0	3,233,531
Governmental activities capital assets, net	\$ 3,388,669	(142,828)	0	3,245,841

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Transportation	\$ 38,518
Unallocated depreciation	104,310
Total governmental activities depreciation expense	\$ 142,828
Business-type activities:	
Food services	\$ 2,249

#### (7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,505,000	2,345,000	2,505,000	2,345,000	190,000
Bus loan	36,641	0	36,641	0	0
Total	\$ 2,541,641	2,345,000	2,541,641	2,345,000	190,000

### General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year Ending June 30,	Bond dated April 28, 2008			
	Interest Rates	Principal	Interest	Total
2009	2.40 %	\$ 190,000	75,794	265,794
2010	2.60	210,000	70,608	280,608
2011	2.80	215,000	65,147	280,147
2012	3.00	225,000	59,127	284,127
2013	3.10	230,000	52,378	282,378
2014	3.25	240,000	45,247	285,247
2015	3.40	245,000	37,447	282,447
2016	3.60	250,000	29,118	279,118
2017	3.70	265,000	20,117	285,117
2018	3.75	275,000	10,313	285,313
Total		\$ 2,345,000	465,296	2,810,296

#### **(8) Bond Defeasement**

On April 28, 2008, the District issued \$2,345,000 in general obligation bonds to advance refund \$2,320,000 of outstanding general obligation bonds dated March 10, 1999. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The defeasement of principal and interest for the year was \$2,320,000 and \$613,968. The present value savings of this bond refunding is \$107,517.

#### **(9) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$112,254, \$110,026, and \$103,512, and respectively, equal to the required contributions for each year.

#### **(10) Risk Management**

Keota Community School District is a member in the Southeast Iowa Schools Health Care Plan, an Iowa Code Chapter 28E organization. The Southeast Iowa Schools Health Care Plan (SEIS) is a local government risk-sharing pool whose members include various

schools throughout the State of Iowa. SEIS was for the purpose of managing and funding employee benefits. SEIS provides coverage and protection in the following categories: medical and dental.

Each member's contributions to SEIS funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEIS's general and administrative expenses and insurance premiums.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEIS for the year ended June 30, 2008 were \$231,769.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Most members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. SEIS will pay claims incurred before the termination date.

Keota Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$116,027 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

KEOTA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,328,406	86,395	2,414,801	2,330,429	2,330,429	84,372
State sources	1,266,068	2,054	1,268,122	1,359,887	1,359,887	(91,765)
Federal sources	110,671	42,236	152,907	150,000	150,000	2,907
Total revenues	3,705,145	130,685	3,835,830	3,840,316	3,840,316	(4,486)
Expenditures:						
Instruction	2,190,037	0	2,190,037	2,179,405	2,179,405	(10,632)
Support services	1,092,965	0	1,092,965	987,014	987,014	(105,951)
Non-instructional programs	0	145,685	145,685	143,400	143,400	(2,285)
Other expenditures	551,225	0	551,225	515,307	515,307	(35,918)
Total expenditures	3,834,227	145,685	3,979,912	3,825,126	3,825,126	(154,786)
Excess(deficiency) of revenues over(under) expenditures	(129,082)	(15,000)	(144,082)	15,190	15,190	(159,272)
Other financing sources(uses), net	(14,390)	19,168	4,778	0	0	4,778
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(143,472)	4,168	(139,304)	15,190	15,190	(154,494)
Balance beginning of year	665,969	10,755	676,724	676,459	676,459	265
Balance end of year	\$ 522,497	14,923	537,420	691,649	691,649	(154,229)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

KEOTA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 41,121	31,526	12,326	84,973
Receivables:				
Property tax:				
Current year delinquent	502	0	410	912
Succeeding year	50,000	0	49,117	99,117
Interfund	0	0	37,703	37,703
Accounts	0	307	0	307
<b>Total Assets</b>	<b>\$ 91,623</b>	<b>31,833</b>	<b>99,556</b>	<b>223,012</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	190	0	190
Deferred revenue:				
Succeeding year property tax	50,000	0	49,117	99,117
Total liabilities	50,000	190	49,117	99,307
Fund balances:				
Unreserved	41,623	31,643	50,439	123,705
Total fund balances	41,623	31,643	50,439	123,705
<b>Total Liabilities and Fund Balances</b>	<b>\$ 91,623</b>	<b>31,833</b>	<b>99,556</b>	<b>223,012</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



KEOTA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 59,952	0	49,045	108,997
Other	175	125,283	19,823	145,281
State sources	26	0	21	47
TOTAL REVENUES	60,153	125,283	68,889	254,325
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	121,828	0	121,828
Support services:				
Administration services	18,787	0	0	18,787
Operation and maintenance of plant services	17,273	111	10,753	28,137
Student transportation	7,670	0	0	7,670
Other expenditures:				
Facilities acquisitions	0	0	102,539	102,539
TOTAL EXPENDITURES	43,730	121,939	113,292	278,961
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,423	3,344	(44,403)	(24,636)
OTHER FINANCING SOURCES:				
Transfer in	0	0	50,000	50,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	16,423	3,344	5,597	25,364
FUND BALANCE BEGINNING OF YEAR	25,200	28,299	44,842	98,341
FUND BALANCE END OF YEAR	\$ 41,623	31,643	50,439	123,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,450	2,781	3,136	1,095
Basketball	0	8,461	8,461	0
Track	0	1,277	314	963
Cross Country	0	335	326	9
Baseball	0	926	926	0
Volleyball	0	2,667	2,351	316
Softball	0	2,247	2,247	0
Miscellaneous	0	12	12	0
Cheerleaders	575	826	1,117	284
FFA	6,007	25,286	23,384	7,909
FCCLA	2,104	1,165	2,387	882
Student Council	3,549	2,455	2,684	3,320
EagleRock!	1,106	24,557	22,277	3,386
Class of 2008	471	30,494	30,965	0
Class of 2009	1,758	765	1,833	690
Class of 2010	1,063	83	0	1,146
Class of 2011	0	20	0	20
Class of 2012	65	65	0	130
Class of 2013	1,176	70	1,176	70
Special Baseball	833	5,830	5,211	1,452
Special Boys Track	511	507	333	685
Special Volleyball	3,466	1,328	1,165	3,629
Special Girls Track	853	510	174	1,189
Special Softball	1,375	5,292	3,413	3,254
Special Boys Basketball	781	2,348	2,739	390
Special Girls Basketball	1,156	1,301	1,633	824
Tournament	0	3,675	3,675	0
Total	\$ 28,299	125,283	121,939	31,643

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,959,570	1,839,674	1,974,821	2,003,961	1,932,155
Tuition	138,612	107,280	108,707	120,494	131,901
Other	230,224	177,562	136,943	114,698	114,780
State sources	1,266,068	1,277,225	1,267,901	1,312,969	1,220,613
Federal sources	110,671	116,004	128,459	134,997	139,977
Total	\$ 3,705,145	3,517,745	3,616,831	3,687,119	3,539,426
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,488,962	1,531,236	1,442,892	1,492,419	1,427,249
Special instruction	269,783	217,172	281,300	256,290	525,755
Other instruction	431,292	460,867	404,984	380,720	148,884
Support services:					
Student services	37,775	35,443	37,587	42,016	41,879
Instructional staff services	151,994	110,642	124,557	103,735	48,308
Administration services	461,481	435,309	366,462	363,463	392,841
Operation and maintenance of plant services	291,560	305,326	368,869	321,058	265,770
Transportation services	150,155	124,749	148,309	128,725	118,320
Non-instructional programs	0	0	4,492	0	0
Other expenditures:					
Facilities acquisitions	102,539	97,894	62,900	67,612	53,254
Long-term debt:					
Principal	221,641	210,270	203,951	192,680	181,458
Interest	111,018	119,287	129,107	140,277	150,500
AEA flow-through	116,027	112,418	106,197	107,097	108,594
Total	\$ 3,834,227	3,760,613	3,681,607	3,596,092	3,462,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Keota Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Keota Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keota Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Keota Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Keota Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Keota Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Keota Community School District's financial statements that is more than inconsequential will not be prevented or detected by Keota Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Keota Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keota Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keota Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Keota Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keota Community School District and other parties to whom Keota Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keota Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2009

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We have begun reviewing the board policies.

Conclusion - Response accepted.

- I-C-08 Nutrition Procedures - We noted during the audit that within the School Nutrition Fund, the commodity food listing was not priced out correctly at the end of the year.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - We will comply.

Conclusion - Response accepted.

- I-D-08 Scholarship Awards - We noted during our audit that the Student Council and EagleRock groups awarded scholarships from proceeds of fundraising during the year. The District subsequently wrote checks for the scholarships directly to the students from the Student Activity Fund.

Recommendation - Fundraisers for scholarships and donations made to the school should be recorded in the fund in which they can be properly expended. Scholarships are most appropriately receipted and expended from the Private Purpose Trust Fund; therefore it is logical to place proceeds from scholarship fundraising in the Private Purpose Trust Fund.

When writing checks for scholarships, a better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

Response - We will comply.

Conclusion - Response accepted.

- I-E-08 Retention of Supporting Documentation - We noted during our audit that the payments for trips the EagleRock Group and Senior Class had taken were not supported with invoices from the vendors from whom the District had purchased services.

Recommendation - Chapter 279.29 of the Code of Iowa states, "The Board shall audit and allow all just claims against the District, and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." With the absence of invoices there is no detail for the Board to determine whether the expense is allowable to the District. Also, pursuant to Chapter 291.6 of the Code of Iowa the Board Secretary is to preserve and file all copies of all paperwork related to the business of the District. The lack of invoices being retained for these trips demonstrates a breakdown in procedures for retaining supporting documentation for all District purchases. The District should pay from invoices and retain all documentation to support District purchases.

Response - We are working on the recommendation and will make changes where necessary.

Conclusion - Response accepted.

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, exceeded the certified budget amount in the instruction, support services, non-instructional programs and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will try to monitor the budget more closely and file a timely amendment when needed.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - We will research the outstanding checks and make the necessary changes.

Conclusion - Response accepted.



II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank is now giving us copies of the front and back of each check.

Conclusion - Response accepted.

II-L-08 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts to be accordance with Chapter 291.1 of the Code of Iowa.

Response - The Board President is now signing all contracts including the official's contracts.

Conclusion - Response accepted.